

## **Using incentives for improving the quality of beneficiary care**

**ISSUE:** Should the Medicare program use incentives – either financial or non-financial – to encourage providers to improve care? If so, what are the most effective mechanisms and how might they be implemented in the Medicare program?

**KEY POINTS:** The Medicare program has traditionally used quality assurance and quality improvement requirements and technical assistance through the Quality Improvement Organization (QIO) program to maintain and improve quality for its beneficiaries. As concerns about the quality of beneficiary care increase and our ability to measure quality improves, some suggest that the Medicare program should find ways to incent providers to improve the quality of care. The Commission supported this concept in its January 2002 report on applying quality improvement standards to Medicare plans and providers. One of MedPAC's recommendations was that, "the Secretary should reward plans and providers for high quality performance and improvement."

One of the most important incentives is financial. However, incentives could also take other forms, such as public release of information to encourage providers to focus on improving their scores. Each type of incentive raises issues such as the appropriateness of the measures, difficulty of implementing them, and accountability. In addition, each must be considered in the context of its impact on beneficiaries in the Medicare program.

**ACTION:** In October, a panel of experts began the discussion on using incentives by describing their importance for improving quality and various private sector efforts to do so. Staff propose a discussion of how different types of incentives might work in the context of the Medicare program, which could include recommendations. (The attached paper outlines the issues the Commission could address.)

At this meeting, the Commission should consider the direction outlined in the draft, including the various incentives described and the feasibility of applying them, or expanding their use, in the Medicare program. Information from this and future discussions on the topic will be included in a chapter in the June 2003 report.

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